

<b>STATE OF MONTANA</b> <b>COMPLIANCE SUPPLEMENT FOR AUDITS OF</b> <b>LOCAL GOVERNMENT ENTITIES</b>	REF: C/T-3
	PAGE: 1 of 20
<b>PROGRAM/SUBJECT:     Cities and Towns - Revenues/Receipts</b>	

**INFORMATION CONTACT:**                      Montana Department of Administration  
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<b>INDEX:</b>	Revenues/Receipts Commonly Received - - - - -	Page 1 of 20
	Local Charges for Services Fund - - - - -	Page 2 of 20
	Source and Distribution of Common Revenues/Receipts: - - - - -	Page 4 of 20
	State Revenues - - - - -	Page 4 of 20
	State and Federal Grants and Loans - - - - -	Page 10 of 20
	County-Collected Revenues - - - - -	Page 11 of 20
	Local and Other Collections - - - - -	Page 12 of 20

**COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:**

**REVENUES/RECEIPTS COMMONLY RECEIVED:**

**1.    Compliance Requirement:**

- Following is a schedule of revenues/receipts commonly received by Montana cities and towns, along with the source and required distribution and/or use of the revenues/receipts. In addition, the section of the Montana Code Annotated (MCA) or other authorization that is applicable has been noted. For certain revenues/receipts that are distributed to cities and towns by State agencies, a cross-reference to the specific section of the *Montana Compliance Supplement* dealing with that revenue or program has been provided. More detailed information can be found in that section.

**Suggested Audit Procedures:**

- As part of the general testing of the city/town's revenues/receipts, and for other selected revenues/receipts as determined by the auditor, verify that revenues/receipts are distributed to the various funds and taxing jurisdictions in accordance with the schedule below.
- As part of the testing of general expenditures, and for other selected revenue sources or receipts, verify that expenditures, disbursements, or distributions made from revenue sources or receipts are for the purposes stated in the schedule below.
- For revenues that are received on a fixed periodic basis (monthly, quarterly, annually), determine that the proper number of payments were recorded during the fiscal year.

<b>PROGRAM/SUBJECT:     Cities and Towns -                                  Revenues/Receipts</b>	REF: C/T-3
	PAGE: 2 of 20

## **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:**

### **LOCAL CHARGES FOR SERVICES FUND:**

**(Note to Auditor: MCA 17-2-302(3) states that an audit performed by the independent auditor pursuant to Title 2, Chapter 7, Part 5, MCA, (Montana Single Audit Act) shall include a determination of whether money is or has been retained in a local charge for services fund contrary to the requirements of MCA 17-2-302 or 17-2-303.)**

### **2. Compliance Requirements:**

- “Charge for services” or “charge”, as defined by MCA 17-2-301(3), means a fee, charge, levy, or other assessment that is established by local government entity ordinance, and that is charged by the local government entity to a user of a service provided by the local government entity; that is charged by the local government entity in exchange for a license, permit, or other type of grant of authority by the local government entity; or collected exclusively to provide promotional or marketing services to the person on whom the charge is levied and that is not assessed or collected pursuant to MCA Title 15. MCA 17-2-301(6) states that a “local charge for services fund” or “local fund” is an accounting fund maintained by a local government entity for which the exclusive source of revenue is one or more charges for services or interest or other income on the fund.
- A city or town that deposits money into a local charge for services fund may not maintain a cash balance in the fund greater than twice the annual appropriation for that year from the fund. (MCA 17-2-302(1)) (**Note:** For purposes of this restriction, the term “charges for services” or “charge” includes a fee, charge, levy, or assessment established as provided in MCA 17-2-301(3) (See preceding compliance requirement.) and a fee, charge, levy, or other assessment established by statute. (MCA 17-2-301(3)(b))
- This limitation may be exceeded due to an emergency, a special or unusual circumstance, or a fluctuation in the service, function, or charges for services of the entity. (Section 17-2-302(2)) (**Note:** See MCA 17-2-302(2) for procedures to be followed if the cash balance for a local charge for services fund is in excess of twice the annual appropriation and one of the noted exceptions apply.)
- Except as otherwise provided in MCA 17-2-301(3)(b), this limitation does not apply to: (1) a charge for services made by one local government to another local government entity; (2) a local charge for services fund used only for replacement of buildings or to pay the costs of other future capital projects; (3) a fee, charge, tax, levy, or other assessment the amount of which is established by statute; and (4) charges for services deposited in accordance with law into a debt service or bond reserve fund or the city or town general fund. (MCA 17-2-302(4))

<b>PROGRAM/SUBJECT:     Cities and Towns -                                  Revenues/Receipts</b>	REF: C/T-3
	PAGE: 3 of 20

## **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:**

### **LOCAL CHARGES FOR SERVICES FUND - continued:**

#### **2. Compliance Requirements - continued:**

- A city or town that maintains a cash balance in excess of this limitation in 17-2-302(1) for more than 60 days shall, within 120 days after the end of the 60-day period, reduce the charge for services or, in the case of a local fund into which two or more charges for services are deposited, reduce one or more charges for services specified by the city or town until the cash balance in the local fund complies with the limitation. (MCA 17-2-303)

#### **Suggested Audit Procedure:**

- If the city or town has “charges for services” and has established a “local charge for services fund”, review the month-end balances of the fund during the audit period. Review the city or town’s budget document and determine the annual appropriation for the local charge for services fund. Compare the month-end cash balances of the fund to twice the annual appropriation amount. If any of the month-end balances exceed twice the annual appropriation amount, determine the length of time for which the excess balance was maintained. If more than 60 days, verify that the city or town reduced the charge for services within 120 days after the end of the 60-day period.

<b>PROGRAM/SUBJECT: Cities and Towns - Revenues/Receipts</b>	REF: C/T-3
	PAGE: 4 of 20

<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS:</b>	
<b>Source and Statute, Rule or Regulation</b>	<b>Distribution/Use</b>
<b>State Revenues</b>	
<b>Department of Administration</b>	
9-1-1 Emergency Telecommunications Allocation  10-4-302 & 303 (basic) 10-4-311 & 312 (enhanced) 10-4-313 (wireless enhanced) – <b>Effective July 1, 2007</b>	Quarterly payments. May be deposited to General Fund or BARS Fund No. 2850. Allocation may be used only to pay for installing, operating and improving a basic or enhanced 9-1-1 emergency telephone system.  <b>The Public Safety Services Bureau of DOA performs extensive monitoring procedures on these 9-1-1 allocations. See their website at: <a href="http://pssb.mt.gov">http://pssb.mt.gov</a></b>
Land Information Grants 90-1-410	Local governments may apply to the Department of Administration for funds to be used for the purposes of collecting, maintaining, or disseminating land information, including purchasing technology to assist in these purposes.  BARS Fund #. 2859, Revenue Code #334065 & Expenditure Code #411060.
State Contributions to Pension Trust Funds for Members Employed by Local Government Entities and School Districts (On-Behalf Payments)  PERS – 19-3-316 & 319 - .10%* MPORS – 19-9-702 – 29.37%* FURS – 19-13-604 – 32.61%*  * <b>Note:</b> Percentage noted is of members' compensation.	These payments are not made to local governments but are instead made directly by the State to the listed Statewide pension funds. These payments are considered “on-behalf payments for fringe benefits” under the provisions of GASBS No. 24, and should be recorded as revenues and expenditures/expenses. They should be prorated to participating funds that incur these payroll expenses. ( <b>Note:</b> Journal entry only – revenues equal expenditures/expenses.)  For additional information on these retirement systems, see <b>Compliance Supplement C/T-7</b> .
Workers' Compensation Dividends 39-71-2323	Prorated to participating funds
<b>Department of Agriculture</b>	
Noxious Weed Management Grants ( <i>See AGR-1</i> )  80-7-814 ARM 4.5.101 – 4.5.112	Entities apply for funding for noxious weed management projects. Grant proceeds deposited to weed grant fund (BARS Fund #2840). Eligible uses of the funds, required matching, and required reporting are set forth in the grant document.

<b>PROGRAM/SUBJECT: Cities and Towns - Revenues/Receipts</b>	REF: C/T-3
	PAGE: 5 of 20

<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	
<b>Source and Statute, Rule or Regulation</b>	<b>Distribution/Use</b>
<b>State Revenues</b>	
<b>State Auditor's Office</b>	
Insurance Premium Tax Apportionment – ( <i>See AUD-1</i> )  Fire Dept. Relief Association 19-18-501 19-18-512 19-18-514  Police Retirement 19-19-305 19-18-512 7-32-4120	1. Fire department relief association fund: Annual payment equal to 1 ½ mills of the municipality's total taxable value, but no less than \$100. (Only to towns and 3rd class cities not participating in the Firefighters Unified Retirement System.)  2. Police retirement fund: Annual payment equal to 1 ½ mills of the municipality's total taxable value, but not less than \$100. If a city or town does not have a police retirement fund, the moneys should be used for police department employee training, for equipment & personnel relating to substance abuse enforcement, or to purchase pensions for police department employees. (Only to towns and third class cities not participating in the Statewide Police Retirement Plan (MPORS).)
<b>Department of Commerce</b>	
Bed Tax Apportionment 15-65-111 15-65-121(1)(e)	To be distributed to the nonprofit convention and visitors bureau.  ( <b>Note:</b> Applies to those cities, consolidated city-county governments, resort areas, and resort area districts which have a recognized nonprofit convention & visitors' bureau and an annual marketing plan approved by the Tourism Advisory Council.)
Coal Impact Grants 90-6-201 – 209 ARM 8.101.301 – .306 Distributed by the Coal Board	Entities apply for grant funding to provide governmental services that are needed as a direct consequence of an increase or decrease of coal development or in the consumption of coal by a coal-using energy complex. Eligible uses of the funds are set forth in the grant document.

<b>PROGRAM/SUBJECT:    Cities and Towns - Revenues/Receipts</b>	REF: C/T-3
	PAGE: 6 of 20

<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	
<b>Source and Statute, Rule or Regulation</b>	<b>Distribution/Use</b>
<b>State Revenues</b>	
<b>Department of Commerce - continued</b>	
Big Sky Economic Development Grants 90-1-203 & 204 ARM 8.99.901 - .916	Uses of these funds include but are not limited to (1) a reduction in the interest rate of a commercial loan for the expansion of a basic sector company; (2) a grant or low-interest loan for relocation expenses for a basic sector company; and (3) rental assistance or lease buy-downs for a relocation or expansion project for a basic sector company. Grants are distributed to local governments based upon the number of jobs expected to be created because of the funding. Equal matching funds are required. <b>Effective 7/1/2007</b> , the DOC is required to provide greater incentives for high-poverty counties, including lower matching requirements and higher grant amounts. BARS revenue code 334075.
Treasure State Endowment Program (TSEP) <i>(See COM-6)</i> 90-6-701 – 715 ARM Title 8, Chapter 94, Subchapter 38	Matching grants for construction projects and for preliminary engineering studies. Non-matching emergency grants also. Grant funds disbursed on a reimbursement basis.
<b>Department of Environmental Quality</b>	
Underground Storage Tank (UST) Program: Reimbursements and Grants 75-11-213 ARM 17.56.1002 -.1004	Grants are to be used only for equipment purchases or personnel training related to the UST inspection program. Reimbursements are made on a quarterly basis at a rate of \$35/hour. Both grants and reimbursements are deposited to the fund used to pay costs of inspection and enforcement services – usually BARS Fund #2815.
<b>Department of Justice</b>	
Live Card Game Table Permit Fees 23-5-306	No specific fund or use is designated by statute. Statute states deposit to municipal treasury. Usually credited to general fund. May be used for any legitimate governmental purpose as determined by the governing body. Quarterly payment.

<b>PROGRAM/SUBJECT: Cities and Towns - Revenues/Receipts</b>	REF: C/T-3
	PAGE: 7 of 20

<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	
<b>Source and Statute, Rule or Regulation</b>	<b>Distribution/Use</b>
<b>State Revenues</b>	
<b>Department of Justice – continued</b>	
Gambling Machine Permit Fees 23-5-612	No specific fund or use is designated by statute. Statute states return to the local government jurisdiction in which the machine is located. Usually credited to general fund. May be used for any legitimate governmental purpose as determined by the governing body. Quarterly payment.
Bingo and Keno Tax Apportionment 23-5-409	No specific fund or use designated by statute. Statute refers to municipal treasury. Therefore, the General Fund would appear most appropriate.
<b>Department of Military Affairs</b>	
State Disaster & Emergency Program 10-3-311 & 10-3-405 ARM 34.3.101 - .202	City/towns apply to the State for assistance, but only after levying an emergency levy of up to 2 mills. Statutes don't specify fund, but BARS Fund No. 2958 generally used. If federal (FEMA) funding involved, the state/local commitment for reimbursable costs will be set forth in the applicable FEMA/State Agreement.
<b>Department of Natural Resources and Conservation</b>	
Federal Revenue Anticipation Note 75-5-1126 75-6-236	DNRC may advance money, in the form of a note issued pursuant to 7-7-109, to a municipality in anticipation of a federal grant. The municipality must pay to DNRC the proceeds of the federal grant when received. (See related compliance requirement No. 25 at C/T-8 – Long-Term Debt)
<b>Department of Revenue</b>	
Entitlement Block Grant 15-1-121(4) & (6)  (Only applicable for tax increment financing districts, and only for those districts in existence during FY 2000. If a tax increment financing district terminates, then the block grant terminates.)	See discussion below for entitlement payments. Payments for each tax increment financing district are itemized in MCA 15-1-121(6). One-half the payments are made by November 30 and one-half by May 31 of each year. ( <b>Note: Effective FY2006</b> , industrial tax increment financing districts no longer receive entitlement shares.)

<b>PROGRAM/SUBJECT:     Cities and Towns -                                  Revenues/Receipts</b>	REF: C/T-3
	PAGE: 8 of 20

<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	
<b>Source and Statute, Rule or Regulation</b>	<b>Distribution/Use</b>
<b>State Revenues</b>	
<b>Department of Revenue – continued</b>	
Entitlement Share Payment 15-1-121 See Montana League of Cities and Towns' website at <a href="http://www.mlct.org/">http://www.mlct.org/</a> (click on Budget/Finance News under Members drop-down) for a listing of entitlement share payments by city/town	This payment is made on a quarterly basis. The Department of Revenue will determine the amount of each city/town's base year component, based on the loss of various FY 2001 revenues. This base year component increases each fiscal year by a growth rate calculated by the Department. The city/town must allocate a portion of this payment to each fund, in a manner that reasonably reflects each fund's loss of FY 2001 revenue sources. It appears that the governing body may use its discretion in this allocation. Tax increment financing districts do not receive this payment, but instead receive a block grant (see above).
Oil, Gas and Coal Natural Resource Account Distribution 15-36-331(2)(b) & 15-36-332(8); 90-6-1001; 15-36-304(7); 15-35-108(7)	Portions of the coal severance tax and the tax on oil & gas production are deposited to a State "oil, gas, and coal natural resource account". The Department of Revenue distributes this account, based on county oil and gas production, on a quarterly basis: on or before August 1, November 1, February 1, and May 1 of each year. One-third must be distributed to the county and two-thirds must be distributed to incorporated cities/towns within the county, based on relative populations. The Department remits the county and city/town portions directly to the county and city/towns.  No specific fund distribution – discretionary. BARS Revenue Code #335065
Reimbursement Payment 15-1-113 ( <b>Note:</b> This payment is distributed as part of the entitlement share payment discussed above. There are no separate payments remitted for this reimbursement payment.) <b>Repealed During 2007 Legislature</b>	The Department of Revenue will determine the amount of fee in lieu of property tax (FILT) lost by each local government as a result of the 2001 Legislature's amendments to Section 61-3-529 (i.e., FILT for buses, trucks less than 1 ton, & truck tractors). The reimbursements due each government are specified in 15-1-113(3). Quarterly payments will be paid on or before September 30, December 31, March 31, and June 30 of each year.



<b>PROGRAM/SUBJECT:     Cities and Towns -                                  Revenues/Receipts</b>	REF: C/T-3
	PAGE: 9 of 20

<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	
<b>Source and Statute, Rule or Regulation</b>	<b>Distribution/Use</b>
<b>State Revenues</b>	
<b>Department of Transportation</b>	
Gas Tax ( <i>See TRAN-1</i> ) 15-70-101 AGO 19, Vol. 40	Monthly payment. May be deposited to a separate Gas Tax special revenue fund (BARS Fund #2820). To be used for construction, reconstruction, maintenance, and repair of roads, streets and alleys; or for the matching of federal funds allocated for such purposes. Bidding requirements for contracts in excess of \$25,000. May not be used for capital expenditures, except that towns and 3 <sup>rd</sup> -class cities may each year expend up to 25% of allocation for purchase of capital equipment and supplies that will be used for maintenance of streets and alleys. <b>Effective 7/1/2007</b> - Town or 3rd-class city may place portion of this 25% in a restricted asset account to be carried forward until a need for a capital expenditure.
State Aeronautics Grants and Loans 67-1-301 – 307 ARM 18.13.401 - .408 (Also applicable to airport authorities)	Cost-sharing grants and low interest loans to be utilized specifically for aviation or aeronautically related projects.
State Aid to Transportation (Also applicable to urban transportation districts) 7-14-102	Must be deposited in funds that account for public transportation operations.
Transportation Services for Senior Citizens and Persons with Disabilities Grant 7-14-112	For transportation services for persons 60 years of age or older and for persons with disabilities. No specific BARS fund designated by statute. We suggest a separate accounting within Senior Citizens Transportation Fund (Fund # 2281).

<b>PROGRAM/SUBJECT: Cities and Towns - Revenues/Receipts</b>	REF: C/T-3
	PAGE: 10 of 20

<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	
<b>Source and Statute, Rule or Regulation</b>	<b>Distribution/Use</b>
<b>State Revenues</b>	
<b>Department of Transportation - continued</b>	
Courtesy Car Services Grant 67-10-904	This grant may be received by a municipality for courtesy cars at certain Montana airports where rental cars or taxicabs are not available. The courtesy car may be used only between the airport and the local trading or recreation area, and may not be used across the state line or beyond the local trading or recreation area. The municipality may procure a sponsor and assign the sponsor to a qualified airport to manage the municipality's courtesy car program. A sponsor may be a fixed base operator, an airport manager, or other responsible party.
<b>State and Federal Grants and Loans</b>	
<p>State grants and loans and selected Federal grants and loans that are passed through State agencies are included above. More detailed information for <u>selected State programs or Federal programs passed through the State</u> can be found indexed under the following specific State Agency tabs:</p> <p>Building Code Enforcement Program: <b>L&amp;I-1</b>  Community Development Block Grant (CDBG) [CFDA #14.228]: <b>COM-5</b>  Gasoline Tax Apportionment: <b>TRAN-1</b>  HOME Program [CFDA #14.239]: <b>COM-4</b>  Insurance Premium Tax Apportionment: <b>AUD-1</b>  Noxious Weed Management Grant: <b>AGR-1</b>  Treasure State Endowment Program (TSEP): <b>COM-6</b></p> <p>Federal grants and loans that are made directly to the local governments are not included in this <i>Compliance Supplement</i>. Please refer to the <i>OMB Circular A-133 Compliance Supplement</i> for compliance requirements and suggested audit procedures for Federal grants and loans. ( <a href="http://www.whitehouse.gov/OMB/grants/grants_circulars.html">http://www.whitehouse.gov/OMB/grants/grants_circulars.html</a> )</p>	

<b>PROGRAM/SUBJECT:     Cities and Towns -                                  Revenues/Receipts</b>	REF: C/T-3
	PAGE: 11 of 20

<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	
<b>Source and Statute, Rule or Regulation</b>	<b>Distribution/Use</b>
<b>County-Collected Revenues</b>	
<p>Motor Vehicle:</p> <p><b>The County remits all motor vehicle collections, with the exception of the local option vehicle tax/flat fee, directly to the State. Cities/Towns no longer receive a portion of these collections.</b></p> <p>Local Option Vehicle Tax/Flat Fee</p> <p>61-3-537 &amp; 61-3-570</p>	<p>The county remits 50% of the local option MV tax or fee to cities/towns based on population. The statute is silent as to the distribution of this tax/fee by a city or town. It appears that a city/town governing body may determine the distribution.</p> <p>BARS Revenue Code #314140</p>
<p>Business Equipment Tax Rate Reduction Reimbursement</p> <p>15-1-112</p> <p><b>Note: **June 2008 is the last time that cities/towns will receive this payment.</b></p>	<p>Distribution from county twice a year. The June distribution is to be allocated to the city's or town's funds based on the prior year's mill levy and the December distribution is to be distributed to the city's or town's funds based on the current year's mill levy. The amount of this payment is progressively reduced each year by 10%, until 2008 when the payment will no longer be received.</p>
<p>Impact Fees – Electrical and Wind Generation Facilities – <u>Interlocal Agreement</u></p> <p>(See “Local and Other Collections”, below, for Impact Fees assessed directly by city/town)</p> <p>15-24-3004 - 15-24-3007</p>	<p>A local government unit may assess an impact fee against an electrical or wind energy generation facility. If the facility is located within the jurisdictional areas of multiple local governments, the local governments may enter into an interlocal agreement. The county in which the facility is located assesses the fee, and then distributes these fees to the local governments and school districts impacted by the facility, according to the terms of the interlocal agreement. The city/town's portion of the fees should be deposited to and held in an Electrical Generation Impact Fund (BARS Fund No. 2898) for any time period considered appropriate by the governing body. Money retained in the fund may not</p> <p>-continued on next page-</p>

<b>PROGRAM/SUBJECT:     Cities and Towns -                                  Revenues/Receipts</b>	REF: C/T-3
	PAGE: 12 of 20

<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	
<b>Source and Statute, Rule or Regulation</b>	<b>Distribution/Use</b>
<b>County-Collected Revenues</b>	
Impact Fees – Electrical and Wind Generation Facilities – <u>Interlocal Agreement</u> - <b>continued</b>	continued from previous page –  be considered as fund balance for the purpose of reducing mill levies, and may be expended from the fund for any purpose allowed by law. Money in the fund must be invested and interest earned must be credited to the fund.
Personal Property Tax Reimbursement 15-1-111  <b>Note: **May 2008 will be the last payment for this reimbursement program.</b>	Distribute to all funds with tax levies based on current year mill levies on personal property. Distributed twice a year by county.  <b>(Note: For tax year 1999 through tax year 2008**, the Department of Revenue shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, progressively reduced by 10% of the 1991 amount each year. (i.e., 1999 - 90%, 2000 - 80%, etc.))</b>
<b>Local and Other Collections</b>	
A city or town with general powers has the legislative power, subject to the provisions of state law, to adopt, amend, and repeal ordinances and resolutions to impose a special assessment reasonably related to the cost of any special service or special benefit provided by the city or town or impose a fee for the provision of a service. (MCA 7-1-4123)	
Airport fees, rentals, etc. 67-10-404	Airport Fund
Ambulance Charges 7-34-103	The statute authorizes the establishment of fees or charges. No specific fund is designated by statute. Normally deposited to Ambulance Fund if established. If not, to general fund or other fund which is used to pay ambulance related expenditures.
Animal Licenses 7-23-4102	No specific fund designated by statute. Normally deposited to the general fund or other fund which is used to pay related costs.
Bonds – Sale of:  Proceeds - SID Bonds 7-12-4205	Construction Fund

<b>PROGRAM/SUBJECT:     Cities and Towns -                                  Revenues/Receipts</b>	REF: C/T-3
	PAGE: 13 of 20

SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:	
Source and Statute, Rule or Regulation	Distribution/Use
<b>Local and Other Collections</b>	
<p>Bonds – Sale of: <u>-continued</u></p> <p>     Proceeds - General Obligation Bonds      7-7-4260</p> <p>     Proceeds - Refunding General Obligation Bonds      7-7-4312</p> <p>     Accrued Interest/Premium      7-7-4102      7-12-4205</p>	<p>Construction Fund (Statute says bonds are to be used for the purpose for which the bonds were issued.)</p> <p>Deposit to fund used to pay the refunded bonds</p> <p>Sinking (debt service) Fund</p>
<p>Building Code Permit Fees (for those cities or towns having a state-certified building code program) (<i>See L &amp; I –1</i>) 50-60-106 &amp; 50-60-302 ARM 24.301.201 – 24.301.231 <b>Effective 7/1/2007: If the building code enforcement program is subject to an agreed-upon procedures engagement, there is a mandatory format to be followed.</b></p>	<p>No specific fund designated by statute. (May use BARS Fund No. 2394 or General Fund) May only be used for those costs related to building code enforcement activities as defined in the statutes and ARM's. The city/town must maintain adequate records to document that permit fees are used only for those costs related to building code enforcement activities. Excess fees may be placed in a reserve to be used in subsequent years. Reserve may be used only for building code enforcement, and may not exceed the amount needed to support the enforcement program for 12 months. Fees must be reduced if necessary to avoid creation of excess reserve.</p>
<p>Business Licenses Title 7, Chapter 21, Parts 41 &amp; 42</p>	<p>No specific distribution required by statutes. Normally deposited to the general fund. (<b>Note:</b> Each city and town may adopt an ordinance stating 1. the industry, pursuit, profession and occupation to be licensed; 2. the penalty for failure to comply with any licensing requirement; and 3. the amount, terms and manner of issuing and revoking licenses.</p>
SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:	

PROGRAM/SUBJECT: <b>Cities and Towns - Revenues/Receipts</b>	REF: C/T-3
	PAGE: 14 of 20

Source and Statute, Rule or Regulation	Distribution/Use
<b>Local and Other Collections</b>	
<p>Cemeteries:</p> <p>Sale of Plots Headstone Erection Title 7, Chapter 35, Part 41, MCA</p> <p>Perpetual Care Title 7, Chapter 35, Part 41, MCA</p>	<p>No specific fund designated by statute. Most cities &amp; towns deposit such cemetery collections to a separate cemetery fund if one has been established</p> <p>No specific fund designated by statute. Most cities &amp; towns deposit such cemetery collections to a separate cemetery perpetual care fund. (BARS Fund #8010)</p>
<p>Charges for services deposited to a local charge for services fund 17-2-301 to 304</p> <p><b>Note:</b> These statutes apply only to counties, cities, consolidated governments, and towns.</p> <p>*****</p> <p style="text-align: center;"><b>IMPORTANT</b></p> <p style="text-align: center;"><b>▼ INFORMATION ▼</b></p> <p>*****</p> <p><b>(Note: 17-2-302(3), MCA, states that an independent auditor conducting an audit of a county, city, town, or consolidated government shall include in the audit a determination of whether money is or has been retained in a local charge for services fund contrary to the requirements of 17-2-302 and 17-2-303)</b></p> <p><b>Note:</b> For additional information see Compliance Requirement No. 2 on page 2 of this compliance supplement.</p>	<p>No specific fund by name is designated by statute. The statutory requirements apply to “charges for services” or “charges” deposited to a “local charge for services fund” or “local fund”.</p> <p>The statutes define “charge for service” or “charge” as a fee, charge, levy, or other assessment that is established by local government entity ordinance and that is charged by the local government entity to a user of a service provided by the local government entity or charged by the local government entity in exchange for a license, permit, or other type of grant of authority by the local government entity.</p> <p>The statutes define “local charge for services fund” or “local fund” as an accounting fund maintained by a local government entity for which the exclusive source or revenue is one or more charges for service or interest or other income on the fund.</p> <p>The statutory restrictions do not apply to a charge for services made by one local government entity to another local government entity, a local charge for services fund used only for the replacement of buildings or to pay the costs of other future capital projects, or charges for services deposited in accordance with law into a debt service or bond reserve fund or into the local government’s general fund.</p> <p>-continued on next page-</p>
<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	

<b>PROGRAM/SUBJECT:     Cities and Towns -                                  Revenues/Receipts</b>	REF: C/T-3
	PAGE: 15 of 20

Source and Statute, Rule or Regulation	Distribution/Use
<b>Local and Other Collections</b>	
Charges for services deposited to a local charge for services fund - <b>continued</b>	If the charges for service are deposited to a local charge for services fund, the city or town may not maintain a cash balance in the local charge for services fund greater than twice the annual appropriation for that year as shown in the local government entity's initial operating plan. If the cash balance exceeds this limitation for more than 60 days, cities and towns are required to reduce a charge for service or charges for service within 120 days after the end of the 60-day period until the cash balance in the fund complies with the statutory limitations. Exceptions to this limitation are at 17-2-302(2).
Convenience fee for electronic services 7-5-4125	City departments are allowed to collect a fee on selected electronic government services in order to provide funding for the support of electronic government services. Although not specified in Statute, the fee collected may be deposited to the fund used to pay for costs related to the provision of the electronic services.
Courts – City or Municipal: Fines & Forfeitures (City Court) 46-17-303 Fines & Forfeitures (Municipal Court) 46-17-402	Generally, all fines and forfeitures collected by city and municipal courts are deposited with the city/town finance officer or treasurer, to be credited to the general fund.  <b>(See C/T-14 –Offices/Boards for exceptions and additional information.)</b>
CREB Project revenues 90-4-1203 & 1209  <b>Clean Renewable Energy Bonds (CREBs)</b> may be issued by local governments for various projects that are intended to produce sufficient energy to provide for the local government's needs, allowing excess energy to be sold through the grid. See <b>CNTY-8</b> for additional information.  <b>Effective May 3, 2007</b>	If energy produced through a CREB project is in excess of the local government's own needs, energy may be sold through the grid, as provided in 90-4-1203 (3) & (4). Revenues from energy sales may be used for purposes set out at 90-4-1209 including: (a) debt service of any bond issues related to the project, (b) maintenance of the reserves required by bond covenants, (c) payment of expenses of operation and maintenance of the project, and (d) to provide a reserve for improvements to the project. The local government may, after these requirements have been fulfilled, transfer remaining project revenues to its general fund.
<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	

<b>PROGRAM/SUBJECT: Cities and Towns - Revenues/Receipts</b>	REF: C/T-3
	PAGE: 16 of 20

Source and Statute, Rule or Regulation	Distribution/Use
<b>Local and Other Collections</b>	
Driver's License – Reinstated When Held in Lieu of Bail – Administrative Fee \$25 61-5-214(2)(b) & (4)	Collected by courts and deposited in City General Fund
Gifts, Donations, Grants, Devises, Bequests, etc.  7-8-103 22-1-309 (library)	Separate trust fund or fund designated by donor. Must be used for the particular purpose specified. If no particular purpose mentioned, shall be used for the general support, maintenance, or improvement of the city or town (general fund).
Impact Fees - Electrical Generation Facility 15-24-3001 to 3007	A city or town may assess an impact fee against an electrical energy generation facility that is exempt from taxation under 15-24-3001. The fees must be distributed to the city or town and impacted school districts. The city/town's portion of the fees should be deposited in the Electrical Generation Impact Fund (BARS Fund No 2898), may be retained in that fund for any time period considered appropriate by the governing body, must be invested, and may be expended for any purpose allowed by law. <b>(See above, under "County-Collected Revenues" for impact fees collected as part of an interlocal agreement with multiple local government units.)</b> See Section 15-24-3005 through 3007 for detailed information regarding the impact fees, allowable rates, and operation of the required funds.
Impact Fees – Public Facility Capital Improvements 7-6-1601 to 1604	Local governments may impose impact fees upon new development to fund all or a portion of the public facility capital improvements affected by the new development. Impact fees must be in compliance with the provisions of 7-6-1602, and may not include operation or maintenance costs or costs of correcting existing deficiencies. The impact fees should be deposited in BARS Fund No. 2399, and should be invested, with all interest accruing to the fund. Fees should be spent in accordance with the impact fee ordinance or resolution.
<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	



PROGRAM/SUBJECT: <b>Cities and Towns - Revenues/Receipts</b>	REF: C/T-3
	PAGE: 17 of 20

Source and Statute, Rule or Regulation	Distribution/Use
<b>Local and Other Collections</b>	
Impact Fees - Wind Generation Facility 15-24-3004 to 3007	An owner or operator of a wind generation facility used for a commercial purpose is subject to an initial local governmental and local school impact fee for the first 3 years after construction begins. The impact fee may not exceed 0.5% of the total cost of construction. Fees should be deposited in the Electrical Generation Impact Fund (BARS Fund No. 2898). Money retained in the fund may not be considered as fund balance for the purpose of reducing mill levies, and must be invested as provided by law, and the interest must be credited to the fund. Money may be expended from the fund for any purpose allowed by law.
Interest Income:  Interest on Surplus Deposits or Investments (If not otherwise provided by law or by the terms of a gift, grant, or donation.) 7-6-204  ( <b>Note:</b> Specific provisions for interest income deposited to other funds are listed below.)  Interest on 9-1-1 Emergency: <i>Basic</i> - 10-4-303 <i>Enhanced</i> - 10-4-312  Interest on Airport Reserve Fund 67-10-402(5)  Interest on Bond Proceeds 7-7-4102  Interest on Capital Improvement Fund 7-6-616	  General Fund, except that interest paid and collected on the deposits or investments of any fund separately created and accounted for by a city or town <b>may</b> be credited to the separately created fund proportionately to each fund's participation in the deposit or investment.    Fund making the investment - To be used only for the purposes prescribed for basic and enhanced 911 emergency funds.  Airport Fund, to be used for the operations and maintenance budget of the airport.  Sinking (debt service) fund  ( <b>Note:</b> This includes interest on sale of bonds accrued in the period between date of issue and date of purchase.)  Capital Improvement Fund
<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	

<b>PROGRAM/SUBJECT: Cities and Towns - Revenues/Receipts</b>	REF: C/T-3
	PAGE: 18 of 20

Source and Statute, Rule or Regulation	Distribution/Use
<b>Local and Other Collections</b>	
Interest Income - continued:	
Interest on City/Town Warrants (Investment in Registered Warrants) 7-6-4603	Funds making investment
Interest on Fire Department Relief Association Fund 19-18-501	Fire department relief association fund
Interest on Impact Fees - Electrical Generation Facility 15-24-3007	City Electrical Generation Impact Fund – BARS Fund No. 2898
Interest on Impact Fees – Public Facility Capital Improvements 7-6-1603	City Impact Fees Fund – BARS Fund No. 2399
Interest on Impact Fees – Wind Generation Facility 15-24-3007	County Electrical Generation Impact Fund – BARS Fund No. 2898
Interest on Library Depreciation Reserve Fund 22-1-307	Library Depreciation Reserve Fund (capital projects fund)
Interest on S.I.D. Revolving Fund 7-12-4226	Revolving Fund
Interest on S.I.D. Bond Proceeds Construction Fund. 7-12-4205	During the construction of the improvements, all interest earned on the investment of bond or warrant proceeds must be credited to the construction account of the improvement district fund. After all costs have been paid, remaining proceeds & interest must be transferred to the sinking fund of the improvement district and applied, to the extent possible, to the prepayment and redemption of bonds or warrants on the next succeeding redemption date.
S.I.D. Sinking (Debt Service) Fund 7-12-4207	S.I.D. Sinking (Debt Service) Fund
<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	

<b>PROGRAM/SUBJECT:     Cities and Towns -    Revenues/Receipts</b>	REF: C/T-3
	PAGE: 19 of 20

<b>Source and Statute, Rule or Regulation</b>	<b>Distribution/Use</b>
<b>Local and Other Collections</b>	
Interest Income - continued:  Interest on Sinking (Debt Service) Funds 7-7-123  Interest on Volunteer Firefighter's Disability Insurance Fund 7-6-621  <b>Effective May 14, 2007</b>	Sinking (debt service) fund    <b>Volunteer Firefighter's Disability Insurance Fund BARS Fund No. 2373</b>
Interlocal Agreements (Receipts) 7-11-108	Determined by the terms of the interlocal agreement
Library Fines and Charges ( <i>See C/T-14</i> )  Title 22, Chapter 1, Part 3, MCA	No specific fund designated by statute. Normally deposited to library fund if library operated through a separate library special revenue fund, or to general fund if library operated through the city or town general fund.
Library Gifts, Donations, Grants, Devises, Bequests, etc. 22-1-309	Must be used for specific purpose designated. They shall be kept separate from regular library funds and are not subject to reversion at the end of the fiscal year.
Liquor License Fees  16-4-503 AGO #112, Vol. 17	City or Town general fund.
Park Dedication (Subdivision)  76-3-621	No specific fund designated by statute. Funds must be used for the development, acquisition or maintenance of parks to serve the subdivision. No more than 50% of the dedicated money may be used for park maintenance. Since use is restricted, it is preferred that the moneys be deposited to a separate Park Fund.
Parking Meter and Parking Area Receipts  7-14-4511 7-14-4501 7-12-4241	No specific fund designated by statute. Normally deposited to the general fund. If applicable, may deposit to supplemental revolving fund established to secure payment of SID bonds issued for street and/or alley improvements.
<b>SOURCE AND DISTRIBUTION OF COMMON REVENUES/RECEIPTS - continued:</b>	

<b>PROGRAM/SUBJECT:    Cities and Towns - Revenues/Receipts</b>	REF: C/T-3
	PAGE: 20 of 20

Source and Statute, Rule or Regulation	Distribution/Use
<b>Local and Other Collections</b>	
Refunds	To the fund from which the original payment was made
Rentals, Sale of Maps, etc.	Deposit to fund that accounts for expenses of the service provided
Resort Tax (applies only to those communities which have been designated as resort communities by the Dept. of Commerce) 7-6-1501 through 7-6-1507	Petition or resolution required by 7-6-1504, must state the tax rate (up to 3%) & purposes that may be funded by resort tax revenues. Voter approval is required. Unless otherwise restricted by the resolution, revenue may be expended for any activity, undertaking or administrative service that the municipality is authorized by law to perform, including costs resulting from imposition of the tax. A portion of the resort tax receipts must be applied to reduce the municipal property tax levy for the year, as specified in 7-6-1507.
Sale or Lease of Property 7-8-101(2) 7-8-4201	No specific fund designated by statute. We recommend that proceeds be deposited to the fund that originally paid for the purchase of the property. <b>(Note:</b> AGO #96, Vol. 25, did not designate any specific fund for the deposit of proceeds from the sale of property, but did hold money realized must be used in the municipality in the next budget.)
Sale of Supplies/Equipment 7-5-4307	No specific fund designated by statute. We recommend that proceeds be deposited to the fund that originally paid for the purchase of the supplies or equipment.
User Charges: Water & Sewer Utility Title 7, Chapter 13, Part 43  Transportation System (Bus System) 7-14-4401 & 4403  Other (General Fees for Services) 7-6-4013  <b>(Note:</b> Also see Charges for Services Deposited to a Local Charge for Services Fund above.)	To water or sewer fund, as applicable.  Specific fund not designated by statute. Charges should be deposited to fund that pays expenses of system operation.  No specific fund designated by statute. Such charges should be deposited to the fund that makes the expenditures related to the services provided.